



Internal Audit Office

Mayor
Oscar Leeser

City Council

District 1
Peter Svarzbein

District 2
Jim Tolbert

District 3
Emma Acosta

District 4
Carl L. Robinson


District 5
Dr. Michiel R. Noe

District 6
Claudia Ordaz

District 7
Lily Limón

District 8
Cortney C. Niland

City Manager
Tommy Gonzalez

DATE: September 29, 2016
TO: Jay Banasiak, Mass Transit Director
FROM: Edmundo S. Calderon, CIA, CGAP, CRMA, Chief Internal Auditor 
SUBJECT: Procurement Card Review – Sun Metro

The Internal Audit Office has completed its review of the Sun Metro's P-Card transactions. This engagement was scheduled on the annual Audit Plan approved by the Financial and Audit Oversight Committee and the City Manager.

Objectives:

The objectives of the review were to:

- Obtain and understanding of Sun Metro's P-Card transactions.
- Determine if the current Sun Metro's P-Card Program Administrators are properly reviewing and monitoring the expenditures related to purchases through P-Cards with an emphasis on travel expenditures.
- Determine if transactions are for proper expenditures.
- Determine if original receipts properly support transactions.
- Determine if spending limits on P-Card transactions have been followed.

Scope:

The review period included P-Card transactions that occurred from September 1, 2015 to February 29, 2016.

Background

During the review period, Sun Metro conducted 358 Visa P-Card transactions totaling \$91,406.88 and 3 MasterCard P-Card transactions totaling \$393.55.

Sun Metro takes measures to ensure that travel is conducted in the most economical way possible. For example, senior discounts are used when available and travel is booked early enough to take advantage of low fares and early registration discounts.

Our review of the Sun Metro's P-Card transactions identified three observations. The following is a description of the observations:

Edmundo S. Calderón – Chief Internal Auditor
City 2 | P.O. Box 1890 | El Paso, Texas 79950 | (915) 212-0069

"Delivering Outstanding Services"



Internal Audit Office

OBSERVATION 1

Travel Testing

City of El Paso's "2016 Strategic Plan", Goal 6.6 states that: "Ensure continued financial stability and accountability through sound financial management, budgeting, and reporting."

The City of El Paso's Travel Manual dated June 2015 states the following:

- **Section 4.0 General Travel Guidelines Paragraph 5 B-** "All travel, regardless of purpose, funding source or cost, is to be routed through the respective: (1) Chief Performance Officer (2) Chief Financial Officer (3) Managing Directors (4) Assistant to the City Manager"
- **Section 4.0 General Travel Guidelines Paragraph 5 C** "All travel requests should be signed off by the individuals in the top management prior to the travel and after the travel (reconciliations) for the departments that report to them."
- **Section 11.0 Meals** "The City will only reimburse for meals using the most current GSA Schedule and is the maximum amount that will be reimbursed.....Per Diem allowance for meals shall be pro-rated for the day of departure and the day of return according to GSA guidelines, currently 75% for both days."
- **Section 13.1 Travel Request Preparation Paragraph 3** "After approval and ONLY after approval, expenses can be paid for in three ways...."

Based on our review of 11 Travel Requests for Sun Metro during the period of September 1, 2015 to February 29, 2016, we determined the following:

- Ten (10) of the 11 (91%) Travel Requests reviewed were not approved by the CFO or the Assistant to the City Manager after travel.
- Four (4) of the 11 (36%) Travel Requests reviewed were not approved by the CFO or the Assistant to the City Manager before travel.
- Nine (9) of the 11 (82%) Travel Requests reviewed had expenses before the Travel Requests were approved by the CFO or the Assistant to the City Manager.
- Three (3) of the 11 (27%) Travel Requests reviewed had Per Diems for meals that were calculated incorrectly.
 - Mass Transit Director was given \$32.00 less than allowed by GSA Per Diem rates for his travel to Minneapolis, MN on November 14, 2015 to November 17, 2015.
 - Maintenance Mechanic (Sun Metro Employee) was given \$18.50 more than allowed by GSA Per Diem rates for his travel to Houston, TX on October 5, 2015 to October 9, 2015.
 - Assistant Director – Fixed Route Ops (First Transit Employee) was given \$17.75 more than allowed by GSA Per Diem rates for his travel to Austin, TX on September 18, 2015.



Internal Audit Office

OBSERVATION 1

Travel Testing Cont.

The following table summarizes the travel discrepancies identified by Travel Requests:

#	Job Title	Destination	Travel Dates	Travel Request was not Approved Before Travel by the CFO or Assistant to City Manager	Travel Request was not Approved After Travel by the CFO or Assistant to City Manager	Expenses were Incurred Before Approval	Travel Advance was not calculated Correctly
1	Mass Transit Director - First Transit	Washington, DC	3/12/2016 to 3/16/2016 *			✓	
2	Departmental Human Resources Manager - Sun Metro	Washington, DC	6/18/2016 to 6/25/2016 *		✓	✓	
3	Grant Project Manager - Sun Metro	Phoenix, AZ	3/21/2016 to 3/25/2016 *		✓		
4	Safety Manager - First Transit	Sacramento, CA	3/21/2016 to 3/25/2016 *		✓	✓	
5	Assistant Director for Transit Administration & Finance - Sun Metro	Fort Worth, TX	12/10/2015 to 12/10/2015		✓	✓	
6	Engineering Division Manager - Sun Metro	Fort Worth, TX	12/10/2015 to 12/10/2015		✓	✓	
7	Grant Project Manager - Sun Metro	Fort Worth, TX	11/2/2015 to 11/4/2015	✓	✓	✓	
8	Accountant - Sun Metro	Fort Worth, TX	11/2/2015 to 11/4/2016	✓	✓	✓	
9	Mass Transit Director - First Transit	Minneapolis, MN	11/14/2015 to 11/17/2015	✓	✓	✓	✓
10	Maintenance Mechanic - Sun Metro	Houston, TX	10/5/2015 to 10/9/2015		✓		✓
11	Assistant Director - Fixed Route Ops - First Transit	Austin, TX	9/18/2015 to 9/18/2015	✓	✓	✓	✓
Counts				4	10	9	3

* Travel expenses were paid with the P-Card during our review period of September 1, 2015 to February 29, 2016.



Internal Audit Office

OBSERVATION 1

Travel Testing Cont.

RECOMMENDATION

Sun Metro Management should ensure that:

- Travel Requests are approved by the Chief Financial Officer or the Assistant to the City Manager before and after travel.
- Expenses are not incurred before the Travel Requests are approved.
- Per Diems for meals are calculated correctly.
- The Maintenance Mechanic and Assistant Director- Fixed Route Ops reimburse the City \$18.50 and \$17.75 respectfully for Per Diem for meals that were overpaid to them.
- The Mass Transit Director is reimbursed \$32.00 for Per Diem for meals that was miscalculated.

OBSERVATION 2

Closed P-Card Testing

City of El Paso's "2016 Strategic Plan", Goal 6.6 states that: *"Ensure continued financial stability and accountability through sound financial management, budgeting, and reporting."*

The City of El Paso's Procurement Card (P-Card) Manual dated September 2015 states the following:

- **Section 7.4 Issuance duties of the Department PCard Approver** - *"In the event of termination or transfer to another department of an authorized user, the Approver will be responsible for filling out the same form, PCM-1, collecting the issued PCard and submitting the card and forms to the PCard Administrator in the Financial Transactions Division immediately."*

Based on our review of the Closed P-Card requirements, we were able to determine the following:

- Two (2) of the 2 (100%) Closed P-Cards reviewed have PCM-1 Forms that were not immediately submitted to the P-Card Administrator. The number of working days between the date of separation and the date the PCM-1 Form was submitted ranged from 4 to 6 days.
 - Former Transit Stock Comptroller's P-Card ending 4731 PCM-1 Form was submitted 4 working days after the date of separation.
 - Former Materials Specialist's P-Card ending 9102 PCM-1 Form was submitted 6 working days after the date of separation.

RECOMMENDATION

The P-Card Approver for Sun Metro should ensure that all PCM-1 Forms and P-Cards are immediately submitted to the P-Card Administrator when an authorized P-Card user is terminated or transferred to another department.



Internal Audit Office

OBSERVATION 3

P-Card Testing

City of El Paso's "2016 Strategic Plan", Goal 6.7 states that: *"Deliver effective and efficient processes to maximize value in obtaining goods and services."*

The City of El Paso's Procurement (P-Card) Manual dated September 2015 states the following:

- **Section 8.2 Business-to-consumer purchase** – *"The PCard may be used to pay pending outstanding invoices provided that it falls under the following criteria: The bill or invoice "IS NOT" Purchase Order (PO) related."*
- **Section 13.1 Unauthorized purchases** – *"The following are items that are strictly prohibited to purchase: Computer hardware over \$500 and software over \$500 are not to be purchases without prior approval and backup documentation from IT."*

A review of 36 P-Card transactions for the period of September 1, 2015 to February 29, 2016 was conducted to ensure the P-Card purchases were properly reviewed and in compliance with the City's Policies and Procedures. The following exceptions were noted:

- One (1) of the 36 (3%) P-Card transactions reviewed was for a purchase from Cummins Rocky Mountain totaling \$750.00 for a license renewal for an on-line engine diagnostic program. This transaction did not receive approval from the IT department.
- One (1) of the 36 (3%) P-Card transactions reviewed was a purchase from Alphagraphics totaling \$152.76 which was paid twice. The Invoice was paid by the Secretary for Sun Metro's P-Card on October 12, 2015 and by Voucher #16001606 with Purchase Order #2016000472 on October 14, 2015. As of July 26, 2016 the purchase has not been reimbursed to the City.

RECOMMENDATION

Sun Metro Management should ensure that:

- All computer hardware and software P-Card purchases over \$500.00 are approved by the Department of Information Technology Services (DoITs) before the purchases are made.
- Invoices paid with the P-Card are paid once and not related to a Purchase Order.
- Alphagraphics reimburses the City \$152.76 for the duplicate payment.

Implementing the recommendations contained in the memorandum will assist Sun Metro in improving compliance with the City of El Paso's P-Card and Travel Manuals.

If you have any questions please feel free to contact me at extension 21365.

cc: Financial and Audit Oversight Committee
Tomas Gonzalez, City Manager
Nancy Bartlett, Chief Performance Officer
Khalil Zaied, Deputy City Manager for Public Works